

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 2355 – HB 2736**

January 29, 2012

**SUMMARY OF BILL:** Exempts from state and local sales tax solar panels purchased exclusively for residential use.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact - \$351,300**

**Decrease Local Revenue – \$148,400**

Assumptions:

- Based on the quantity of solar collectors shipped to Tennessee in 2009 per Energy Information Administration data, recent sales growth of solar collectors, and information provided by the Department of Revenue (DOR), taxable sales of solar collectors are estimated to be \$13,150,000 in FY12-13.
- Forty percent of estimated taxable sales (or \$5,260,000) is assumed to be for residential use. This number is assumed to remain constant in subsequent years.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The recurring decrease in state sales tax revenue will be \$368,200 (\$5,260,000 x 7.0%).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments are apportioned a 4.5925 percent share of all state sales tax revenue as state-shared sales tax revenue.
- The recurring decrease in local government revenue as a result of reduced state-shared sales tax revenue will be \$16,910 (\$368,200 x 4.5925%).
- The net recurring decrease in state revenue will be \$351,290 (\$368,200 - \$16,910)
- The net recurring decrease in local government revenue will be \$148,410 [(\$5,260,000 x 2.5%) + \$16,910].

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "L. D. G." followed by a flourish.

**SB 2355 – HB 2736**

Lucian D. Geise, Executive Director

/rnc